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Report of

The Pension Benefits Branch

For The Period

1 April 1975 to 31 March 1976



Alberta

Dept. of LABOUR

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CONTENTS

SECTION 1.	1
MAIN PROVISIONS OF THE ACT IN GENERAL TERMS.	
SECTION 2.	2
DUTIES AND RESPONSIBILITIES ADDITIONAL TO THOSE REQUIRED BY THE ACT.	
SECTION 3.	3
MEETINGS WITH SIMILAR AUTHORITIES.	
SECTION 4.	4
UNIFORMITY.	
SECTION 5.	5
HIGHLIGHTS OF ASSISTANCE GIVEN.	
SECTION 6.	6
GENERAL.	
APPENDIX A	7
APPENDIX B	8

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1. MAIN PROVISIONS OF THE ACT IN GENERAL TERMS.

The Pension Benefits Act, Chapter 272 of the Revised Statutes of Alberta 1970, came into force as of 1 January 1967, the intent and purpose of this legislation being to safeguard the rights of employees to the benefits promised under pension plans established by employers.

To achieve this, the Act requires that every employer-employee pension plan in operation be registered with the Branch, that it comply with the standards set out, and that compliance is maintained during the lifetime of the plan.

In general terms, the main provisions of the Act are as follows,

VESTING:

Entitlement of a member to a deferred life annuity (payable at normal retirement age) composed of the pension benefits accrued under a pension plan in respect of service since 1 January 1967, if at the time he ceases to be employed by the employer he has attained age 45 and has been employed for a continuous period of 10 years by that employer.

"Pension benefits" means those benefits provided by both the employer's contributions and those an employee is required to contribute while a member of the plan.

A member who qualifies for a deferred life annuity may not withdraw either his own contributions or the commuted value of the pension entitlement, nor is this entitlement capable of being assigned, surrendered, alienated, seized or attached.

- * This "locking-in" of the value of the benefit upholds the real purpose of pension plans, to provide income to retired employees.

FUNDING

The employer is required to pay into the pension fund each year an amount sufficient to cover the cost of the benefits earned in that year. In addition, where an unfunded liability or experience deficiency exists, a special payment is required to be made annually in order to liquidate this debt within a specified number of years.

- * This ensures the monetary value of the benefits accrued under the terms of the plan are maintained separate and distinct from the assets of the employer.

INVESTMENT:

Pension plan funds can only be invested in those investments in which the general funds of insurance companies may be invested, with the extra proviso that not more than 10% of the book value of the fund may be invested in the shares of any one corporation. Seven per cent of the fund may be invested in unqualified securities.

- * The intent of these limitations is to reduce the risk of diminution of the fund through investment losses.

EXPLANATION TO EMPLOYEES:

The employer is required to provide each member of the pension plan with a written explanation of the terms and conditions of the plan and any amendments thereto.

- * By this means every member has the opportunity of knowing his rights and duties under the plan.

2. DUTIES AND RESPONSIBILITIES ADDITIONAL TO THOSE REQUIRED BY THE ACT.

In addition to its duties and responsibilities under The Pension Benefits Act, the Branch on behalf of Alberta is party to reciprocal agreements in effect with the Government of Canada, and the governments of Ontario, Quebec and Saskatchewan under which the Branch can be charged with the administration of the pension legislation of these other jurisdictions. Where a pension plan covers employees in more than one of these jurisdictions, the reciprocal agreements require that the plan only be registered in and administered by that jurisdiction in which the greatest number of plan members are employed. Therefore, the Alberta Pension Benefits Branch is not only responsible for ensuring compliance with Alberta legislation but also, in many cases, with the legislation of all governments who are parties to the reciprocal agreements.

Another responsibility, which although not specifically contained in the Act has been accepted, is assistance to employees who are considering retirement, have retired or have terminated their employment with an employer. To those in the first category, assistance is in the form of counselling so that they will be better equipped to determine the type of option best suited to their needs contained in their pension plan. In the other categories it is usually a case of non-receipt of either their pension entitlement or refund of contributions, and the Branch contacts the employer to ascertain the reason for this, ensures the provision to the employer of any necessary documentation awaited, and obtains prompt payment of either the pension or refund.

In addition the Branch responded to enquiries from employees, relating mainly to clarification of the legislation and their rights thereunder.

3. MEETINGS WITH SIMILAR AUTHORITIES.

The Act of each jurisdiction contains a provision authorizing the establishment of a Canadian association of pension authorities, and as it was the unanimous view of the representatives of the various jurisdictions that the creation of such a body would be of benefit not only to the regulatory authorities but also to others concerned in the pension field, the establishment of the Canadian Association of Pension Supervisory Authorities (CAPSA) was recommended.

Membership in CAPSA is restricted to those authorities having pension legislation in force, and currently there are five such authorities: the Government of Canada, and the Provincial Governments of Alberta, Ontario, Saskatchewan and Quebec. Other provinces in which the enactment of similar legislation is a distinct possibility in the near future have indicated their intention to become members when the necessary legislation is in place.

Several meetings have been held and a variety of matters concerning pension plans and the legislation discussed. It is expected that meetings of CAPSA will average two or three a year.

In June 1975, the first public conference was staged in Quebec City, the intent being to obtain from those concerned in the pension field - employers, unions, consultants, insurance and trust companies - suggestions with regard to changes considered necessary to up-date the legislation.

The conference was attended by about 200 people, and from the briefs submitted and the discussions that took place, it was apparent that the main areas of the legislation considered to be in need of change were those relating to the vesting and funding of pension plans and the provision of information to members. It is interesting to note that although some briefs suggested consideration of an insurance coverage program similar to that established under United States pension legislation - Employee Retirement Income Security Act of 1974 (ERISA), the consensus of opinion after discussion was that generally pension plans in Canada were in a far better financial position than those in the U.S.A., and therefore the establishment of an insurance scheme, to guarantee benefits to employee members of plans which at wind-up had insufficient funds to meet their liabilities, was not necessary at present. It was generally agreed, however, that should there be any marked change in the financial stability of Canadian plans, further consideration to the development of such an insurance scheme should be given.

Three committees, composed of members of CAPSA, have been formed, and each is charged with studying one of the areas the conference determined was in need of change. It is hoped that proposals will be forthcoming in the near future resulting in uniform recommendations to the respective governments.

The Standing Committee of Superintendents also met on occasions during the year and reviewed and discussed problem areas and new developments in the pension field as well as methods of dealing with these. Uniformity of the legislation, interpretation of the standard provisions, and administration procedures were also discussed. These are of prime importance to both regulators and the pension industry because differences could pose obstacles to the larger plans, particularly those covering employees in more than one jurisdiction. This committee is also actively involved with the collection of data for the production of statistics.

4. UNIFORMITY.

Although the main provisions of the various Acts are uniform as to intent and purpose, there are slight differences in wording which are open to interpretation and which can present difficulties for a pension plan that covers employees in more than one jurisdiction. It is therefore imperative that the present differences be reconciled and future amendments to the legislation be agreed upon both as to wording and intent in order to ease compliance with the legislation and enable an inter-provincial or national plan to provide uniform benefits to members irrespective of location of employment.

A high degree of co-operation exists between the various jurisdictions, however until complete uniformity is achieved there will always be problem areas for both the regulatory authorities and all persons and organizations connected with the employee benefits field.

It is hoped that through CAPSA the present differences in interpretation, procedures and methods will disappear and future changes or additions to the legislation be completely uniform, thus benefitting all concerned with employee benefits.

5. HIGHLIGHTS OF ASSISTANCE GIVEN.

Throughout the year the Branch has received a substantial number of enquiries both verbal and written from employees, employers, insurance companies, trust companies, lawyers, accountants, consultants and trustees on various pension matters, the majority of these relating generally to provisions of the legislation. A number of enquiries are also dealt with respecting employees who have either terminated or retired and who have not been satisfied with the payment or pension received, or have not yet received payment. The efforts of the Branch have resulted in satisfaction to enquirers.

In June 1975 the Branch was advised of the closure of the Edmonton plant of Carling O'Keefe Limited, and upon verification of this, entered into consultation with both the union and company regarding the allocation of benefits to employees. The matter was settled to the satisfaction of both parties.

The Branch became aware of the intended sale by Silverwoods Industries Limited of its operations in Alberta in February 1976 and have since been in contact by telephone and correspondence with the company concerning the entitlement of the employees affected. Silverwoods have agreed that settlement will be in accordance with the terms and conditions applicable under the Act to a situation of this nature, however distribution of benefits has not yet been made owing to a delay in collecting all data necessary to accomplish this. Each employee affected will receive full vesting of the benefits accrued by him for service with Silverwoods.

6. GENERAL

Statistical information relating to the pension plans submitted for registration since the Act came into force up to 31 March 1976, is contained in Appendix 'A'.

A breakdown of those pension plans cancelled, showing the reason for cancellation, is as per Appendix 'B'.

The Branch continues to supply information to Statistics Canada for the joint statistical programme, and a number of statistical tables were produced relating to retirements in 1973. In future, Statistics Canada expect to be able to produce statistics every second year.

The provision of income for retirement years continues to rank exceedingly high in the non-cash benefits desired by employees, resulting in the establishment of new plans and the improvement of existing plans, each of which must be documented and approved by the Branch. The processing of registrations, amendments and other documents, as well as enquiries from a variety of sources, are being handled with the minimum of delay.

As the cost of certain improvements in benefits under an employee benefit plan is to be considered as part of the wage or salary increase under current wage and price controls, it is expected that there will be a slowdown in the changes to pension plans. It is not possible, however, to gauge the extent of this.

The high degree of co-operation received by the Branch from employers, pension consultants, insurance and trust companies, has assisted considerably in the administration of the Act.

APPENDIX 'A'

	Total At Mar. 31/75	Additions During Period	Total At Mar. 31/76
Plans Examined	2349	70	2419
Plans "Approved" (Registration)	2277	69	2346
Plans Awaiting Approval (Includes "Not Examined")	19	21	40
Plans Transferred Under Reciprocal Agreements:			
To Alberta Supervision	90	9	99
From Alberta Supervision	76	3	79
Plans Cancelled	993	118	1111
Amendments To "Approved" Plans	4126	522	4648
Annual Information Returns	10135	2105	12240
Appendix 'A' To Form 2(B) (Submitted Every Third Year)	1334	582	1916

APPENDIX 'B'

Reason For Discontinuance	Total At Mar. 31/75	Additions During Period	Total At Mar. 31/76
Non-Approval by Department of National Revenue	284	1	285
Replaced by New Plans	173	35	208
Financial Problems	103	1	104
Company Dissolved	94	10	104
Not Required to Register and Duplicate Registration	18	Nil	18
No Members Left in Plan	104	30	134
Non Compliance	18	2	20
No Reason Given - Owner's Request	199	* 39	238
TOTAL	993	118	1111

*** NOTE**

The 39 plans shown in this category consisted of:

- 8 "Significant Shareholder" Plans (17 members)
- 16 "Salaried & Executive" Plans (27 members)
- 15 "All Employees" Plans (136 members)

The entitlement of each member was made up of both employee and employer contributions. Of the 180 members covered, 84 members transferred the value of their entitlement to Registered Retirement Savings Plans, the other 96 members received either cash, or deferred life annuities in accordance with the provisions of Section 16 of the Act.

